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August 9, 2005

Ex Parte

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Developing a Unified Inter-carrier Compensation Regime, CC Docket No. 01-92

Dear Ms. Dortch:

Verizon met with the FCC staff regarding phantom traffic on July 29 and August 1, 2005, and filed an ex parte regarding those meetings on August 2, 2005. Verizon submits the attached slide demonstrating an additional call scenario as follow-up to that meeting.

In addition, Verizon provides the following information in response to staff's request for information about the provisions Verizon has incorporated in its interconnection agreements to address phantom traffic traversing or terminating on the Verizon network. Verizon is not immune to the issues that give rise to the phantom traffic problem. Like rural LECs, Verizon also receives traffic on its network that lacks a valid calling party number ("CPN"). Verizon is impacted by such traffic, whether Verizon is the transiting carrier or the terminating carrier, as transit and terminating charges both turn on jurisdiction. Verizon has relied on certain contractual arrangements to address the issue of determining the jurisdiction for calls that lack a valid CPN.

Specifically, Verizon uses a technique known as "factoring" to determine the applicable intercarrier compensation rates to charge originating carriers or interexchange carriers ("IXCs") when the jurisdiction of traffic cannot be determined by CPN. Factoring is used by many carriers, both in contracts and tariffs, to determine the rate to apply to such traffic. Typically in factoring arrangements, the originating carrier or IXC uses call record information to develop estimates as to what percentage of its traffic to the other carrier is local, intrastate toll, or interstate toll. These percentages, or factors, are commonly referred to in tariffs as "percent local usage (PLU) factors" and "percent interstate usage (PIU) factors."¹ These factors are then used to approximate the jurisdiction of the traffic in question and to calculate the appropriate intercarrier compensation that the originating carrier or IXC must pay. For example, parties may use CPN to determine the jurisdiction of the traffic for which CPN is available and then apply local, intrastate, and interstate rates to the remaining traffic in the same proportions.

¹ See, e.g., Verizon FCC Tariff No. 1 § 2.3.10 (discussing the use of percent interstate usage factors, or PIU factors, to determine the jurisdiction of switched access traffic).

Verizon's contracts apply factoring when jurisdiction cannot be determined by CPN, assuming that such traffic is below a certain threshold – usually 5% or 10%. The agreements provide that Verizon will charge the originating carrier or IXC local, intrastate, and interstate rates in the same proportion as the 90% or 95% of traffic that contained valid CPN. If, however, traffic with missing or invalid CPN exceeds that threshold (again, usually 5% or 10%), the great majority of Verizon's agreements provide that Verizon will charge the originating carrier or IXC the highest possible rate for all traffic with missing or invalid CPN. For example, Verizon's model interconnection agreement provides:

6.1 For billing purposes, each Party shall pass Calling Party Number (CPN) information on at least ninety-five percent (95%) of calls carried over the Interconnection Trunks.

6.1.2 If the originating Party passes CPN on ninety-five percent (95%) or more of its calls, the receiving Party shall bill the originating Party the Traffic Rate applicable to each relevant minute of traffic for which CPN is passed. For any remaining (up to 5%) calls without CPN information, the receiving Party shall bill the originating Party for such traffic at the Traffic Rate applicable to each relevant minute of traffic, in direct proportion to the minutes of use of calls passed with CPN information.

6.1.3 If the originating Party passes CPN on less than ninety-five percent (95%) of its calls and the originating Party chooses to combine Reciprocal Compensation Traffic and Toll Traffic on the same trunk group, the receiving Party shall bill the higher of its interstate Switched Exchange Access Service rates or its intrastate Switched Exchange Access Services rates for all traffic that is passed without CPN, unless the Parties agree that other rates should apply to such traffic.

Please let me know if you have any additional questions regarding this matter.

Sincerely,

A handwritten signature in black ink that reads "Donna Epps". The signature is written in a cursive, flowing style.

Attachment

cc: Tom Navin
Tamara Preiss
Steve Morris
Victoria Goldberg
Randolph Clark

Double Tandem Routed Call (when LNP dip not performed by IXC)

SS7 Signaling and Terminating Access Records

